

**EXPLANATORY MEMORANDUM TO  
THE SOCIAL SECURITY PENSIONS (LOW EARNINGS THRESHOLD)  
ORDER 2009**

**2009 No. 610**

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 The Social Security Pensions (Low Earnings Threshold) Order is made each year to set the Low Earnings Threshold for additional pension for the following year.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

**4. Legislative Background**

4.1 Section 148A of the Social Security Administration Act 1992 requires the Secretary of State to review each year the low earnings threshold in line with any changes in the general level of earnings and make the Low Earnings Threshold Order. This Order is being made to affect the annual uprating of the Low Earnings Threshold for 2009/10.

**5. Territorial Extent and Application**

5.1 This instrument applies to Great Britain. Equivalent provision will be made by statutory rule in relation to Northern Ireland.

**6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

**7. Policy background**

- **What is being done and why**

7.1 State Second Pension reformed the State Earnings-Related Pension Scheme (SERPS) from 6 April 2002. An important element of the reform was that additional resources were targeted on low earners. Additionally, carers and some long-term disabled people unable to maintain a full work record due

to their caring responsibilities and disabilities built up additional pension entitlement for the first time.

7.2 The Low Earnings Threshold (LET) allows earnings used to determine an additional State Pension that fall between the National Insurance Lower Earnings Limit (LEL) and the LET to be treated as being at the LET.

7.3 The LEL is the level that a person's earnings become relevant for National Insurance purposes.

7.4 The following will be treated as if they had earnings at the LET for State Second Pension purposes:

- employees earning at or above the annual LEL up to the LET;
- qualifying carers; and
- qualifying disabled people.

7.5 The LET is £13,500 for the 2008/09 tax year. Each year the Secretary of State is obliged to review the level of average earnings and, where he sees fit, set the LET for the following year accordingly by Order.

7.6 The Office for National Statistics' September whole economy (non-seasonally adjusted) index showed that the rise in average earnings over the period 1 October 2007 to 30 September 2008 is 3.1%. This means that, with rounding, the threshold is increased to £13,900 for 2009/10. The level of this Threshold is set by the Order.

7.7 The LEL is £4,680 for 2008/09 and will be £4,940 for 2009/10.

## **Consolidation**

7.8 As the instrument does not amend another instrument, the question of consolidation does not arise.

## **8. Consultation**

8.1 This is an existing annual process which fulfils the statutory duty of the Secretary of State and is not a result of developing or implementing new policy, therefore no consultation is necessary.

## **9. Guidance**

9.1 Leaflets and guidance will be up-dated to reflect the new figures in due course.

9.2 An information notice will be issued to the financial press. The figures will also be published on the Department for Work and Pensions Website.

## **10. Impact**

10.1 This Order amends an existing regulatory regime by a pre-determined formula has no new impact on the private or voluntary sectors.

10.2 The impact on the public sector is negligible.

10.3 A full impact assessment is not necessary for such legislation.

## **11. Regulating small business**

11.1 This instrument imposes no new impact on small business.

## **12. Monitoring and review**

12.1 The position is subject to review each tax year.

## **13. Contact**

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